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SUBJECT: COLOMBIAN SOCIAL SPENDING BUDGET 2006

REF: BOGOTA 012032

¶1. Summary: The GOC plans to spend COP 46 trillion (approx. USD 20 billion) on social spending in 2006. Since 2002, the Uribe administration has on average increased social spending over 10 percent per year. Social spending accounts for nearly half of the total national budget and represents more than 16 percent of Colombia,s GDP. Despite some criticism to the contrary, the pace of social spending has actually increased faster than defense spending. End summary.

Social Spending Continues Upward Trend

¶2. In late 2005, Colombia,s Congress approved the GOC,s 2006 national budget, which includes 46.6 trillion pesos (approximately USD 20.7 billion) for social programs, including education, justice, infrastructure, health and pensions. This is an increase of 12 percent over the 2005 budget. The increase was driven by new low-income housing and welfare programs as well as increases in educational spending.

¶3. Since 2001, social spending has grown alongside defense spending:

	Social Spending	Percent Growth	Defense Spending	Percent Growth
2001	24.4		6.0	
2002	27.7	13.5	6.6	11.0
2003	28.7	3.6	8.1	21.0
2004	33.1	15.3	8.5	5.9
2005	41.5	25.3	9.2	7.1
2006	46.0	10.8	10.1	9.8

(Trillions of COP and Percent)

¶4. During the course of the Uribe administration, social spending has increased, on the average, 3 percent more per year than defense spending. Colombia,s constitution requires that federal transfers to the regions, a significant component of overall social spending, grow at a rate of GDP growth 2.5 percent. This formula will be used through 2009 when a new transfer regime takes effect (septel).

¶5. Social spending can be broken down into the following functional categories (millions of pesos):

	2005	2006	Percent Change
Potable water	1,819.1	1,647.8	-9
Housing	101.1	499.5	300
Health	7,298.7	8,692.7	19
Culture	392.4	592.0	50
Education	10,222.9	11,131.2	8
Social Security	21,711.9	23,498.5	8

(These figures do not include social programs paid for with non-renewable energy royalty proceeds)

The GOC has focused considerable efforts on increasing low-income housing, resulting in a 300 percent increase in funds for housing subsidies, loan guarantees and land grants (septel). Culture includes sports programs for the poor, cultural programs such as Colombia,s developing film industry, and recreational parks and programs.

¶16. In its presentation to the Colombian Congress, the GOC highlighted the following programs and their respective budgets:

Democratic Security

- 427b COP (189,000 USD) Demobilization and reinsertion
- 818b COP (363,000 USD) Displaced Persons Fund
- 365b COP (162,000 USD) Forestry Families, Victims of

Violence and Peace Fund

TOTAL -- 1.6t COP (711 million USD)

Education Programs

- 9.37t COP (37b USD) Basic education increase to a total of 9.2 million children
- 1.6t COP (711m USD) General university funding
- 189b COP (84m USD) Public university student body

increase by 162,000 student slots

TOTAL)- 11.2t COP (4.9 billion USD)

Health Programs

- 3.8t COP (1.6b USD) Social Welfare Program
- 1.8t COP (800m USD) FOSYGA including an increase by 19.7 million new recipients of health subsidies
- 459b COP (204m USD) Reorganization of public hospital network

TOTAL)- 6.2t COP (24 billion USD)

COMMENT

¶17. Over the past four years, the Uribe administration has been credited with managing significant increases in its defense budgets while improving the government,s fiscal position. Little attention, however, has been focused on the larger increases in social spending. Total government spending grew on average 16.7 percent over the last three years while GDP grew 4.3 percent. Social spending over Uribe's three years grew an average of 17.1 percent, while defense spending grew an average of 7.6 during the same period. End comment.

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